

The Urgency of Business Activity Financial Reports in People's Business Credit As A Basis for Banking Protection Based on The Principles of Agreements

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Abstract. People's Business Credit constitutes an important instrument in supporting national economic growth, particularly for micro, small, and medium enterprises. However, the disbursement of People's Business Credit also entails risks for the banking sector if it is not supported by adequate monitoring mechanisms. One crucial aspect of such monitoring is the debtor's obligation to submit periodic financial reports. The main issue examined in this study concerns the urgency of submitting periodic financial reports as a form of legal protection for banks based on the principles of agreements, including the principles of balance, good faith, and legal certainty. This research also analyzes how the obligation to provide periodic financial reports functions as an instrument of debtor accountability, a means of implementing the principles of agreements, and a mechanism of preventive protection for banks in minimizing the risk of default. This study employs a normative juridical method with a statutory approach by examining positive legal norms related to the implementation of People's Business Credit. The legal materials used consist of primary legal materials in the form of laws and regulations governing the policy and implementation of People's Business Credit, as well as secondary legal materials comprising books, journals, and relevant scholarly literature. Data were collected through document study and analyzed using systematic legal analysis to construct legal norms in a logical and structured manner. The findings indicate that the obligation to submit periodic financial reports should be positioned as an integral part of the banking supervision system, as it not only provides legal protection for banks but also strengthens the balance of interests between banks and debtors within a fair contractual framework.

Keywords: Business Activity, Financial Reports, People's Business Credit, Principles of Agreements

Abstrak. Kredit Usaha Rakyat merupakan instrumen penting dalam mendukung pertumbuhan ekonomi nasional, khususnya bagi usaha mikro, kecil, dan menengah. Namun, penyaluran Kredit Usaha Rakyat juga mengandung risiko bagi sektor perbankan apabila tidak didukung oleh mekanisme pengawasan yang memadai. Salah satu aspek krusial dalam pengawasan tersebut adalah kewajiban debitur untuk menyampaikan laporan keuangan secara berkala. Permasalahan utama yang dikaji dalam penelitian ini berkaitan dengan urgensi penyampaian laporan keuangan berkala sebagai bentuk perlindungan hukum bagi bank yang didasarkan pada prinsip-prinsip perjanjian, meliputi prinsip keseimbangan, itikad baik, dan kepastian hukum. Penelitian ini juga menganalisis bagaimana kewajiban penyampaian laporan keuangan berkala berfungsi sebagai instrumen akuntabilitas debitur, sarana implementasi prinsip-prinsip perjanjian, serta mekanisme perlindungan preventif bagi bank dalam meminimalkan risiko wanprestasi atau gagal bayar. Penelitian ini menggunakan metode yuridis normatif dengan pendekatan peraturan perundang-undangan, melalui pengkajian terhadap norma-norma hukum positif yang berkaitan dengan kebijakan dan pelaksanaan Kredit Usaha Rakyat. Bahan hukum yang digunakan terdiri atas bahan hukum primer berupa peraturan perundang-undangan yang mengatur kebijakan dan implementasi Kredit Usaha Rakyat, serta bahan hukum sekunder yang meliputi buku, jurnal ilmiah, dan literatur akademik yang relevan. Pengumpulan data dilakukan melalui studi dokumen dan dianalisis menggunakan analisis hukum secara sistematis guna membangun konstruksi norma hukum yang logis dan terstruktur. Hasil penelitian menunjukkan bahwa kewajiban penyampaian laporan keuangan berkala perlu diposisikan sebagai bagian integral dari sistem pengawasan perbankan, karena tidak hanya memberikan perlindungan hukum bagi bank, tetapi juga memperkuat keseimbangan kepentingan antara bank dan debitur dalam kerangka perjanjian yang adil.

Kata Kunci: Aktivitas Usaha, Laporan Keuangan, Kredit Usaha Rakyat, Prinsip Perjanjian

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INTRODUCTION

The People's Business Credit Program continues to demonstrate positive performance as one of the main pillars of government policy in strengthening the Micro, Small, and Medium Enterprises (MSMEs) sector. Based on the results of the Coordination Meeting of the Financing Policy Committee for MSMEs led by the Coordinating Minister for Economic Affairs in December 2024, the distribution of People's Business Credit successfully exceeded the target with a realization of Rp.280,280,000,000,000 or 100.10% of the 2024 target. This achievement shows a growth of 7.8% compared to the previous year and successfully reached more than 4,900,000 debtors, with the largest distribution being in the production sector. This performance reflects the effectiveness of financing policies that are able to maintain credit quality amidst global economic challenges, as seen from the level of Non-Performing Loans of People's Business Credit of 2.19% which is still below the national average Non-Performing Loan.¹

Following up on this success, the government has set a target for the distribution of People's Business Credit to increase to Rp.300,000,000,000,000 by 2025. This policy is expected to expand the reach of financing for more MSMEs and strengthen national economic resilience. Several strategic steps have been formulated, such as the implementation of Innovative Credit Scoring to improve the quality of assessments for prospective debtors, adjustments to the implementation guidelines for People's Business Credit, and expanding access to financing for migrant workers and labor-intensive sectors. Furthermore, the government has emphasized the importance of institutional synergy between agencies and strengthening the financing ecosystem to ensure the program's effectiveness. Through these steps, People's Business Credit is expected to remain a driving force for the people's economy, capable of strengthening the real sector and supporting the national development vision towards a sovereign, just, and prosperous Indonesia.²

¹ Kementerian Koordinator Bidang Perekonomian Republik Indonesia (*Coordinating Ministry for Economic Affairs of the Republic of Indonesia*), "Resmi! Target KUR 2025 Naik Menjadi Rp300 Triliun," Siaran Pers No. HM.4.6/450/SET.MEKON.3/12/2024, Jakarta, December 24, 2024, submitted by Haryo Limanseto, Plt. Kepala Biro Komunikasi, Layanan Informasi, dan Persidangan, Kementerian Koordinator Bidang Perekonomian (*Acting Head of the Bureau of Communication, Information Services, and Trials, Coordinating Ministry for Economic Affairs*).

² *Ibid.*

In academic studies examining the relationship between the financial sector and economic growth, credit growth has long been understood as one of the key factors driving development and increased economic activity. Credit enables households and business actors to obtain financing for consumption, investment, and business expansion.³ This aligns with the spirit of enhancing the productivity of People's Business Credit in Indonesia, which is well-integrated from both economic and legal protection perspectives. As a result, productivity can be effectively realized through People's Business Credit as one of the banking credit products aimed at promoting the economic development of the community.

In general, the implementation of the People's Business Credit program has had a real positive impact on improving the welfare of beneficiary households, especially when viewed through economic indicators such as per capita expenditure, expenditure on food, and non-food expenditure.⁴ People's Business Credit has become an inclusive financial policy instrument that plays a role in expanding access to financing, boosting the productivity of small businesses, and strengthening the economic resilience of communities across various sectors. However, despite its strategic role, the effectiveness of People's Business Credit continues to face challenges in oversight mechanisms, particularly related to limited regulations governing the obligation to regularly report on debtors' financial affairs. Financial reporting requirements have so far only been regulated as an administrative requirement at the application stage, not as an ongoing obligation throughout the loan term. This situation has potentially weakened debtor accountability and increased the risk of non-performing loans for banking institutions distributing People's Business Credit.

In the context of contract law, the relationship between banks and People's Business Credit debtors is based on fundamental principles such as balance, good faith, and

³ Alin Marius Andries, Steven Ongena, and Nicu Sprincean, "Sectoral Credit Allocation and Systemic Risk," *Journal of Financial Stability* 76 (February 2025), <https://doi.org/10.1016/j.jfs.2024.101363>; see also Vincenzo Capizzi, Nicola Carta, Elisa Cavezzali, and Ugo Rigoni, "Entrepreneurial Firms and Bank Financing: Do Business Angels Play a Role?" *European Financial Management* 31, no. 3 (June 2025): 1217–1245, <https://doi.org/10.1111/eufm.12537>

⁴ Rendy Bayu Adha, "Dampak Kredit Usaha Rakyat (KUR) terhadap Kesejahteraan Penerima KUR di Indonesia," *Bappenas Working Papers* 6, no. 2 (July 2023): 240–253, <https://doi.org/10.47266/bwp.v6i2.215>

legal certainty. These three principles not only require equal rights and obligations between the parties but also contain elements of moral and legal responsibility in the implementation of credit agreements. Therefore, regular financial reporting can be seen as a concrete form of implementing these principles in financing practices. With periodic financial reports, banks can monitor debtors' business conditions transparently and proportionally, thereby maintaining the principle of trust that underpins contractual relationships. Furthermore, debtors benefit from more systematic business development and evaluation, which ultimately contributes to the sustainability of their businesses.

From a normative legal perspective, the importance of periodic financial reporting obligations is not only administrative but also an integral part of the legal protection system for banks. Strengthening regulations that explicitly require MSMEs receiving People's Business Credit to submit periodic financial reports will create balance in the legal relationship between creditors and debtors. This step aligns with the spirit of contract law, which emphasizes certainty and fairness in the implementation of obligations, while also serving as a preventative measure to minimize the risk of default that could burden the national financial system.

Empirical reality indicates that, in practice, business activity financial reports are positioned merely as an administrative requirement in the application process for People's Business Credit, serving as initial evidence that the business has been operating and demonstrates a certain level of productivity. However, to date, there is no explicit regulation within the prevailing laws and regulations that obliges debtors to submit periodic financial reports throughout the installment period until the completion of the People's Business Credit tenor, in order to reflect the development of business activities after the debtor has obtained additional access to capital. This condition gives rise to significant risks for the banking sector, particularly with regard to the potential occurrence of default by debtors. Therefore, the main legal issue examined in this academic work concerns the urgency of formulating legal norms within laws and regulations that require debtors to submit periodic financial reports

during the installment period of People's Business Credit, as an instrument to ensure the realization of fair and equitable principles of agreement law.

Thus, the urgency of this research stems from the need to emphasize that periodic financial reporting is not merely a technical instrument, but rather part of the legal structure that ensures the sustainability and accountability of the People's Business Credit program. Through an analysis of the legal principles of contracts, this study seeks to demonstrate that strengthening this obligation can strengthen legal protection for banking institutions without neglecting the principle of debtor empowerment. Ultimately, a balance between economic interests and legal certainty is the primary foundation for ensuring that People's Business Credit functions not only as a capital distribution instrument but also as a means of sustainable and equitable business development for all national economic actors.

METHODOLOGY

This research employs a normative juridical method with a statutory approach that examines the importance of affirming legal norms requiring debtors to submit periodic financial reports in order to uphold the principles of agreements. The legal materials used consist of primary legal materials, namely laws and regulations governing the policy and implementation of People's Business Credit, as well as secondary legal materials in the form of books, journals, and scholarly literature relevant to the issues examined. Data collection was conducted through the identification and examination of legal documents related to People's Business Credit, which were then analyzed using systematic legal analysis to organize, classify, and construct legal norms in a logical and structured manner. This approach aims to produce a constructive normative framework capable of comprehensively explaining the legal basis and implementation of People's Business Credit financing policies.

RESULT AND DISCUSSION

The regulatory landscape surrounding People's Business Credit in Indonesia has been quite dynamic and continues to evolve to meet the needs and policies of government agencies supporting Micro, Small, and Medium Enterprises (MSMEs). Initially, in 2015, Coordinating Minister for Economic Affairs Regulation Number 8 of 2015 concerning Guidelines for the Implementation of People's Business Credit was enacted, marking the first milestone in People's Business Credit regulations officially governing the implementation of credit for MSMEs as a driver of economic development for small communities.⁵ Regulation of the Coordinating Minister for Economic Affairs Number 8 of 2015 concerning Guidelines for the Implementation of People's Business Credit is the initial foundation that emphasizes the government's role in creating a financing system for the MSMEs sector. This regulation emerged as a form of concern for the limited access of MSMEs to formal financing. The regulation comprehensively regulates credit distribution procedures, interest subsidies, and guarantee mechanisms. The main objective is to create easy access for MSMEs that are deemed productive and viable but do not yet have sufficient collateral. With this regulation, the government seeks to reduce the risk of bad debt through a partnership pattern between channeling institutions, guarantee institutions, and the Coordinating Ministry for Economic Affairs as the main supervisor.

Shortly after its issuance, the government made adjustments through Coordinating Minister for Economic Affairs Regulation Number 13 of 2015, which marked the first amendment to the previous regulation. This amendment focused more on improving institutional governance, particularly in clarifying the position and function of the Financing Policy Committee for MSMEs. Furthermore, this regulation also strengthened coordination between distributing banks, guarantee institutions, and relevant ministries to ensure more effective People's Business Credit implementation. This change was based on an evaluation of the initial People's Business Credit

⁵ Peraturan Menteri Koordinator Bidang Perekonomian Nomor 8 Tahun 2015 tentang Pedoman Pelaksanaan Kredit Usaha Rakyat (*Regulation of the Coordinating Minister for Economic Affairs Number 8 of 2015 concerning Guidelines for the Implementation of People's Business Credit*).

implementation phase, which revealed differing perceptions between institutions in interpreting administrative provisions. Therefore, Regulation Number 13 of 2015 was introduced as an effort to harmonize reporting and accountability systems to be more uniform across implementing institutions.⁶

Subsequently, Coordinating Minister for Economic Affairs Regulation Number 9 of 2016 was issued as the second amendment. This regulation emphasizes the importance of monitoring and evaluating the realization of People's Business Credit disbursement in various regions. The government began emphasizing bureaucratic efficiency in the credit application and disbursement process by strengthening the data-based reporting system. The goal was to clearly identify every debtor receiving People's Business Credit facilities and prevent overlapping funding. Furthermore, this regulation reaffirmed the function of interest and margin subsidies as fiscal instruments directly controlled by the government, ensuring People's Business Credit is targeted to productive businesses. Through this change, the direction of People's Business Credit policy began to transform from merely providing funds to a financing program oriented towards regional economic development.⁷

The next stage was marked by the issuance of Coordinating Minister for Economic Affairs Regulation Number 11 of 2017, which revoked all previous regulations. This new regulation marked a comprehensive restructuring of the People's Business Credit implementation system, emphasizing the principles of prudence, equal access, and public accountability. This regulation added more detailed provisions regarding the implementation of supervision, evaluation, and administrative sanctions for distributing institutions that did not meet the requirements. Furthermore, Regulation

⁶ Peraturan Menteri Koordinator Bidang Perekonomian Nomor 13 Tahun 2015 tentang Perubahan atas Peraturan Menteri Koordinator Bidang Perekonomian Selaku Ketua Komite Kebijakan Pembiayaan bagi Usaha Mikro, Kecil, dan Menengah Nomor 8 Tahun 2015 tentang Pedoman Pelaksanaan Kredit Usaha (*Regulation of the Coordinating Minister for Economic Affairs Number 13 of 2015 concerning Amendments to the Regulation of the Coordinating Minister for Economic Affairs as Chair of the Financing Policy Committee for Micro, Small, and Medium Enterprises Number 8 of 2015 concerning Guidelines for the Implementation of Business Credit*)

⁷ Peraturan Menteri Koordinator Bidang Perekonomian Nomor 9 Tahun 2016 tentang Perubahan Kedua atas Peraturan Menteri Koordinator Bidang Perekonomian Selaku Ketua Komite Kebijakan Pembiayaan bagi Usaha Mikro, Kecil, dan Menengah Nomor 8 Tahun 2015 tentang Pedoman Pelaksanaan Kredit Usaha Rakyat (*Regulation of the Coordinating Minister for Economic Affairs Number 9 of 2016 concerning the Second Amendment to the Regulation of the Coordinating Minister for Economic Affairs as Chair of the Financing Policy Committee for Micro, Small, and Medium Enterprises Number 8 of 2015 concerning Guidelines for the Implementation of People's Business Credit*).

Number 11 of 2017 reaffirmed the government's role as the party responsible for macroeconomic policy, while distributing banks remained as technical implementers subject to prudential banking principles. With the issuance of this regulation, the People's Business Credit implementation system became more structured and oriented towards good governance.⁸

However, an evaluation of the effectiveness of People's Business Credit implementation indicated the need for further adjustments, leading to the issuance of Coordinating Minister for Economic Affairs Regulation Number 8 of 2018 as the first amendment to Regulation Number 11 of 2017. This regulation clarifies the limitations and criteria for People's Business Credit recipients, including viable productive businesses without the need for additional collateral. The government has also begun encouraging increased financing in national priority sectors such as agriculture, fisheries, and small industries. This change reflects adaptation to field needs and strengthens the role of local governments in overseeing People's Business Credit distribution to prevent it from being concentrated in certain areas. Thus, this regulation serves as a foundation for equitable and inclusive national financial access.⁹

Following these adjustments, the Coordinating Minister for Economic Affairs issued Regulation Number 6 of 2019, the second amendment to Regulation Number 11 of 2017. The main focus of this change is on the reporting system, performance evaluation of distributing institutions, and the interest subsidy mechanism. The government has begun introducing a performance-based approach for distributing institutions that distribute People's Business Credit efficiently and effectively. Furthermore, this regulation emphasizes cross-institutional oversight between the Coordinating Ministry for Economic Affairs, the Ministry of Finance, and the Financial

⁸ Peraturan Menteri Koordinator Bidang Perekonomian Nomor 11 Tahun 2017 tentang Pedoman Pelaksanaan Kredit Usaha Rakyat (*Regulation of the Coordinating Minister for Economic Affairs Number 11 of 2017 concerning Guidelines for the Implementation of People's Business Credit*)

⁹ Peraturan Menteri Koordinator Bidang Perekonomian Nomor 8 Tahun 2018 tentang Perubahan atas Peraturan Menteri Koordinator Bidang Perekonomian selaku Ketua Komite Kebijakan Pembiayaan bagi Pedoman Pelaksanaan Kredit Usaha Rakyat Nomor 11 Tahun 2017 tentang Pedoman Pelaksanaan Kredit Usaha Rakyat (*Regulation of the Coordinating Minister for Economic Affairs Number 8 of 2018 concerning Amendments to the Regulation of the Coordinating Minister for Economic Affairs as Chair of the Financing Policy Committee for the Guidelines for the Implementation of People's Business Credit Number 11 of 2017 concerning the Guidelines for the Implementation of People's Business Credit*).

Services Authority to ensure more effective supervisory coordination. With these changes, the direction of People's Business Credit policy has become more mature in terms of data integration and administrative accountability.¹⁰

Subsequently, all previous regulations were revoked and replaced by Regulation of the Coordinating Minister for Economic Affairs Number 8 of 2019, which marked a significant milestone in strengthening modern People's Business Credit governance. This regulation introduced new classifications such as Super Micro People's Business Credit, Micro People's Business Credit, Small People's Business Credit, People's Business Credit for the Placement of Indonesian Migrant Workers, and Special People's Business Credit, with different ceilings and provisions according to the needs of the business sector. This regulation also strengthened the digital distribution system and integrated reporting between distributing institutions and relevant ministries. With this new legal basis, the government emphasized that People's Business Credit is not merely an aid instrument, but part of a strategic policy to increase national economic competitiveness through measurable productive financing.¹¹

Subsequently, the next amendment came through Regulation of the Coordinating Minister for Economic Affairs Number 15 of 2020, which focused on technical improvements to the implementation and efficiency of interest subsidies. The government clarified administrative procedures for distribution, reporting procedures, and the division of authority between distributors and guarantee institutions. This amendment also emphasized the legal responsibility of distributor institutions to uphold the principles of transparency and public accountability.¹²

¹⁰ Peraturan Menteri Koordinator Bidang Perekonomian Nomor 6 Tahun 2019 tentang Perubahan Kedua atas Peraturan Menteri Koordinator Bidang Perekonomian Selaku Ketua Komite Kebijakan Pembiayaan bagi Usaha Mikro, Kecil, dan Menengah Nomor 11 Tahun 2017 tentang Pedoman Pelaksanaan Kredit Usaha Rakyat (*Regulation of the Coordinating Minister for Economic Affairs Number 6 of 2019 concerning the Second Amendment to the Regulation of the Coordinating Minister for Economic Affairs as Chair of the Financing Policy Committee for Micro, Small, and Medium Enterprises Number 11 of 2017 concerning Guidelines for the Implementation of People's Business Credit*)

¹¹ Peraturan Menteri Koordinator Bidang Perekonomian Nomor 8 Tahun 2019 tentang Pedoman Pelaksanaan Kredit Usaha Rakyat (*Regulation of the Coordinating Minister for Economic Affairs Number 8 of 2019 concerning Guidelines for the Implementation of People's Business Credit*)

¹² Peraturan Menteri Koordinator Bidang Perekonomian Nomor 15 Tahun 2020 tentang Perubahan atas Peraturan Menteri Koordinator Bidang Perekonomian Nomor 8 Tahun 2019 tentang Pedoman Pelaksanaan Kredit Usaha Rakyat (*Regulation of the Coordinating Minister for Economic Affairs Number 15 of 2020 concerning Amendments to Regulation of the Coordinating Minister for Economic Affairs Number 8 of 2019 concerning Guidelines for the Implementation of People's Business Credit*)

Furthermore, Regulation Number 2 of 2021 was issued as the second amendment to Regulation Number 8 of 2019, with an emphasis on aligning the People's Business Credit financing system with the direction of national policies in supporting priority economic sectors, including strengthening the agricultural, fisheries, and digital-based MSMEs sectors.¹³

All previous provisions were subsequently revoked with the enactment of Coordinating Minister for Economic Affairs Regulation Number 1 of 2022, which remains the primary legal basis for the implementation of the People's Business Credit to date. This regulation restructured the entire implementation mechanism, from recipient criteria and distribution procedures to guarantees and reporting, to sanctions for violations. This regulation reflects the principle of legal consistency in the implementation of public financial policies, where the government acts as the primary facilitator and supervisor.¹⁴ This regulation then underwent a series of improvements through Regulation of the Coordinating Minister for Economic Affairs Number 1 of 2023 concerning Amendments to Regulation of the Coordinating Minister for Economic Affairs Number 1 of 2022 concerning Guidelines for the Implementation of People's Business Credit, Regulation of the Coordinating Minister for Economic Affairs Number 7 of 2024 concerning the Second Amendment to Regulation of the Coordinating Minister for Economic Affairs Number 1 of 2022 concerning Guidelines for the Implementation of People's Business Credit, Regulation of the Coordinating Minister for Economic Affairs Number 7 of 2025 concerning the Third Amendment to Regulation of the Coordinating Minister for Economic Affairs Number 1 of 2022 concerning Guidelines for the Implementation of People's Business Credit, and Regulation of the Coordinating Minister for Economic Affairs Number 12 of 2025 concerning the Fourth Amendment to Regulation of the Coordinating Minister

¹³ Peraturan Menteri Koordinator Bidang Perekonomian Nomor 2 Tahun 2021 tentang Perubahan Kedua atas Peraturan Menteri Koordinator Bidang Perekonomian Nomor 8 Tahun 2019 tentang Pedoman Pelaksanaan Kredit Usaha Rakyat (*Regulation of the Coordinating Minister for Economic Affairs Number 2 of 2021 concerning the Second Amendment to Regulation of the Coordinating Minister for Economic Affairs Number 8 of 2019 concerning Guidelines for the Implementation of People's Business Credit*)

¹⁴ Peraturan Menteri Koordinator Bidang Perekonomian Nomor 1 Tahun 2022 tentang Pedoman Pelaksanaan Kredit Usaha Rakyat (*Regulation of the Coordinating Minister for Economic Affairs Number 1 of 2022 concerning Guidelines for the Implementation of People's Business Credit*)

for Economic Affairs Number 1 of 2022 concerning Guidelines for the Implementation of People's Business Credit, each of which adjusts technical provisions, financing ceiling limits, and strengthens digital data integration to support transparent and efficient distribution.

Normatively, the long journey of regulatory changes related to the Implementation Guidelines for Micro-Scale Business Credit reflects the evolution of increasingly mature and structured national financing policies. Each regulatory change brings adjustments to economic dynamics, the needs of the productive sector, and strengthens financing administration governance. Thus, the overall regulation demonstrates the continuity of government policy direction in strengthening access to financing for small and medium-sized businesses through a system that is increasingly transparent, efficient, and adaptive to national economic dev In addition to ongoing regulatory adjustments, the administrative aspects of the People's Business Credit implementation have also been strengthened, particularly regarding the requirement to provide financial reports as a key requirement for People's Business Credit applications. This provision emerged as part of the government's efforts to ensure that financing is disbursed appropriately and based on objectively measurable business feasibility. Through financial reports, lending institutions can assess the debtor's ability to manage their business, the level of credit risk, and the prospects for repayment. Therefore, the requirement to prepare financial reports is not merely an administrative formality but also serves as an evaluative instrument that strengthens financing governance and enhances accountability for the People's Business Credit program's implementation nationally.

The development of regulations regarding People's Business Credit, regulated through various Regulations of the Coordinating Minister for Economic Affairs, demonstrates the government's consistent strengthening of the legal framework and governance of financing for the MSMEs sector. However, the dynamics of People's Business Credit program implementation are supported not only by substantive regulations regarding distribution and subsidy mechanisms, but also by an accurate administration and data management system. In this context, the issuance of Minister

of Finance Regulation Number 12 of 2024 concerning Guidelines for the Use of the Program Credit Information System is an integral part of strengthening the legal and technical infrastructure in People's Business Credit implementation. This regulation complements the policies of the Coordinating Ministry for Economic Affairs by emphasizing the importance of transparent, valid, and nationally integrated credit distribution data management. Therefore, People's Business Credit implementation is regulated not only from the financing substance side, but also from the administrative accountability and reporting system aspects that serve as the basis for monitoring and the effectiveness of government financing policies.

Regulation of the Minister of Finance of the Republic of Indonesia Number 12 of 2024 concerning Guidelines for the Use of the Program Credit Information System is an important milestone in strengthening the governance of the distribution of People's Business Credit and other program loans. This regulation was issued as a form of improvement in the administration and management system for program credit data previously regulated in Minister of Finance Regulation Number 155/PMK.05/2018. The core provisions in this regulation focus on the use of Program Credit Information System as an electronic information system used to administer, manage, and provide information related to the distribution of program loans, including People's Business Credit. In this context, Program Credit Information System functions to increase the validity of data for MSMEs, accelerate accurate and integrated information services for all stakeholders, and improve the accuracy of calculations and the speed of interest or margin subsidy payments for distributing institutions.¹⁵

This regulation also emphasizes the role of the Ministry of Finance, specifically the Directorate General of Treasury, as the organizer, manager, and provider of Program Credit Information System. The manager has the authority to develop Program Credit Information System business processes, evaluate compliance and data validity, and impose administrative sanctions on users who violate system provisions. Meanwhile,

¹⁵ Peraturan Menteri Keuangan Republik Indonesia Nomor 12 Tahun 2024 tentang Pedoman Penggunaan Sistem Informasi Kredit Program (*Regulation of the Minister of Finance of the Republic of Indonesia Number 12 of 2024 concerning Guidelines for the Use of the Program Credit Information System*)

Program Credit Information System providers are responsible for the technical aspects of system development, database maintenance, and ensuring the security and reliability of data communication networks. Program Credit Information System users, including distributing institutions, guarantors, public service agencies, local governments, and ministries/institutions, have rights and obligations that are regulated in detail, including the obligation to maintain data confidentiality, responsibility for the validity of submitted data, and provisions regarding administrative sanctions in the event of violations.

In addition to regulating institutional aspects, this regulation also contains detailed provisions regarding the types and formats of data that must be entered into the Program Credit Information System, ranging from prospective debtor data, credit agreements, transactions, to interest subsidy bills. These provisions ensure that stored data can be utilized efficiently for government financing policy purposes. In the event of errors or changes to data, the change mechanism is systematically regulated to maintain database accuracy and avoid potential state losses due to administrative errors. This regulation also emphasizes that cooperation in the use of Program Credit Information System is carried out through an agreement or memorandum of understanding between the Directorate General of Treasury and the relevant parties, which covers rights, obligations, sanctions, and the validity period of the cooperation.

With the enactment of Minister of Finance Regulation Number 12 of 2024, the credit program data management system, including the People's Business Credit, will become more transparent and integrated nationally. The use of Program Credit Information System is expected to become a key instrument in improving the accountability, efficiency, and effectiveness of government funding distribution aimed at strengthening MSMEs. This regulation also replaces previous provisions to be more adaptive to technological developments and the needs of state financial governance, thus ensuring the implementation of financing policies is more credible, targeted, and based on valid data.

Minister of Finance Regulation Number 12 of 2024 concerning Guidelines for the Use of the Program Credit Information System is essentially a normative instrument

designed to strengthen administrative governance and data management in the implementation of People's Business Credit. However, this regulation still has fundamental weaknesses because it does not explicitly regulate the obligation for MSMEs to submit periodic financial reports throughout the loan period. The primary focus of this regulation is directed more towards managing data systems and inter-agency reporting, particularly between the Ministry of Finance, distributing institutions, and guarantee institutions. As a result, this regulation only positions MSMEs as data objects in the system, rather than as legal subjects actively responsible for the transparency and updating of their business financial information.

This weakness is evident in the regulatory orientation, which places greater emphasis on the responsibility of distributing institutions (banks or financial institutions) to update data in the Program Credit Information System. Distributing institutions are required to periodically report disbursement status, credit quality, and the progress of subsidy bills to the Ministry of Finance to ensure accurate fiscal reporting. However, on the other hand, MSMEs as People's Business Credit beneficiaries are not given a comparable legal obligation to submit periodic financial reports that could serve as a basis for updating this data. Financial reports are, in fact, a crucial instrument for assessing business sustainability and credit risk throughout the financing period. Without this formal obligation, distributing banks rely on internal initiatives to monitor debtors' financial performance, which in practice is often inconsistent due to resource constraints and operational priorities.

From a public financing governance perspective, the absence of mandatory periodic financial reporting by MSMEs also weakens the monitoring and evaluation function of the People's Business Credit program. The monitoring function referred to herein is the function through which the distributing bank must ensure that the banking products disbursed operate in accordance with their objectives and provide benefits to both the banking institution and the debtor. Such authority should constitute an implementation of the banking prudential principle as mandated by the Banking Law. Financial reports serve not only as evidence of accountability but also as a policy analysis instrument for measuring the economic impact of government financing

disbursements. If businesses are not required to report their financial performance on an ongoing basis, the success of the People's Business Credit program tends to be measured solely by the nominal amount of credit disbursed, rather than by the increased economic capacity of beneficiaries. Therefore, although Minister of Finance Regulation Number 12 of 2024 has strengthened the information system and transparency between institutions, this regulation does not fully guarantee transparency and accountability at the business level.

In simple terms, under ideal conditions banks should only extend credit to borrowers whose businesses or projects are genuinely profitable. However, in practice, bank credit policies often change in line with shifts in economic conditions and the circumstances of those demanding credit. This occurs because credit decisions are influenced not only by the feasibility of the borrower's business, but also by the policies of other banks, competitive pressures, and overall market conditions. As a result, banking credit policies can contribute to fluctuations in economic activity over certain periods of time.¹⁶

The composition of credit affects the development of entrepreneurship. Financial institutions must be proactive to ensure that the credit provided genuinely supports business growth. Proper credit allocation plays a crucial role in fostering enterprise development.¹⁷ Accordingly, banks as financial institutions distributing People's Business Credit must ensure that the credit extended truly contributes to a thriving business environment. This regulatory gap highlights the urgent need for concrete regulations in the current context.

¹⁶ Raghuram G. Rajan, "Why Bank Credit Policies Fluctuate: A Theory and Some Evidence," *The Quarterly Journal of Economics* 109, no. 2 (May 1994): 399–441, <https://doi.org/10.2307/2118468>; see also Najah Attig, Paul Brockman, and Mohammad Rahaman, "Spillover Effects of Creditor Rights on Corporate Payout Policy," *Journal of Financial Research* 48, no. 4 (2025): 1609–1643, <https://doi.org/10.1111/jfir.70000>.

¹⁷ Ali Nassiri Aghdam, Shahin Behdarvand, and Mohammad Ghasemi Sheshdeh, "The Effect of Credit Composition on Entrepreneurship," *Latin American Journal of Central Banking* 4, no. 4 (December 2023), <https://doi.org/10.1016/j.lacbj.2023.100103>; see also Emilio Gutierrez, David Jaume, and Martín Tobal, "Do Credit Supply Shocks Affect Employment in Middle-Income Countries?" *American Economic Journal: Economic Policy* 15, no. 4 (November 2023): 1–36; see also Ralph De Haas, Liping Lu, and Steven Ongena, "Close Competitors? Bilateral Bank Competition and Spatial Variation in Firms' Access to Credit," *Journal of Economic Geography* 23, no. 6 (December 2023): 1237–1271, <https://doi.org/10.1093/jeg/lbad020>.

Therefore, regulatory reform is needed to address this gap by mandating that People's Business Credit recipients submit simple periodic financial reports to the distributing institution. This step will strengthen the evaluation and oversight mechanisms for the effective use of funds, while also providing a clearer legal basis for distributing institutions to assess credit quality on an ongoing basis. With this provision, the legal relationship between the government, distributing institutions, and MSMEs will become more balanced, transparent, and accountable, enabling the People's Business Credit policy to truly function not only as a financing tool but also as a measurable and sustainable economic development instrument.

Within the legal framework of the agreement, the implementation of People's Business Credit is not only seen as a financing relationship between banks and business actors, but also as a form of engagement that gives rise to legal rights and obligations for the parties. Therefore, every element that supports transparency and responsibility in implementing agreements has significant legal value. One important element that should receive attention is the debtor's periodic financial reports. Financial reports are not just administrative documents, but rather legal instruments that reflect the debtor's performance and responsibilities in fulfilling the contents of the credit agreement. In the context of the principles of contract law, the existence of periodic financial reports functions as a concrete manifestation of the application of the principles of good faith, balance, legal certainty, prudence, balance and freedom of contract.

In the credit granting process, it often happens that the creditor is disadvantaged when the debtor does not fulfill the obligations that should be fulfilled, so that a legal regulation is needed in the implementation of the People's Business Credit agreement which is stated in a credit agreement, which aims to provide legal certainty and protection for the parties involved, especially for the creditor if the debtor does not fulfill his obligations.¹⁸ This is a guideline and a guideline in regulating and forming the credit agreement that will be made so that in the end it will become a binding

¹⁸ Asrul Marhas dan Indra Kesuma Hadi, "Perlindungan Hukum terhadap Kreditur dalam Perjanjian Kredit Usaha Rakyat (KUR) Mikro Tanpa Agunan (Studi pada PT Bank Rakyat Indonesia Tbk. Kantor Cabang Banda Aceh)," *Jurnal Ilmiah Mahasiswa Bidang Hukum Keperdataan* 3, no. 2 (May 2019): 257–267, ISSN 2597-6893 (online).

agreement that applies to the parties, which can be enforced for implementation or fulfillment.¹⁹

Therefore, the following analysis is prepared to illustrate how the importance of periodic financial reports in the implementation of People's Business Credit can be linked to the basic principles of contract law which form the basis for the formation of the legal relationship.

Principles of Contract Law	Context of Periodic Financial Reports	Legal Implications
Principle of Good Faith	Financial reports submitted periodically reflect the debtor's transparency and honesty regarding the actual business conditions.	The absence of periodic reporting can create uncertainty and obscure the debtor's good intentions, thus potentially violating the principle of good faith in contractual relationships.
Principle of Balance	Financial reporting obligations provide a balanced position between banks (distributors) who distribute funds and debtors who utilize them.	If only the distributor is required to report, while the debtor is not, then the balance of the legal relationship becomes unbalanced.
Principle of Legal Certainty	Financial reports that are prepared and submitted regularly serve as concrete evidence to ensure that credit agreements are implemented according to the provisions.	Without regular reports, the channeling institution does not have a strong legal basis for assessing debtor compliance, thereby reducing the legal certainty of the contract.
Precautionary Principle	Periodic financial reports are the primary tool for ensuring the use of funds in accordance with financing objectives and identifying credit risks early.	Without periodic financial reports, the potential for problem loans increases because lenders lose adequate monitoring instruments.
The Principle of Freedom of Contract	Periodic financial reports can be expressly regulated in the credit agreement clause as a form of agreement between the parties.	Reporting arrangements in the contract strengthen the legal position of the distributor while increasing the debtor's discipline in implementing the agreement.

¹⁹ Etty Mulyati, "Asas Keseimbangan Pada Perjanjian Kredit Perbankan dengan Nasabah Pelaku Usaha Kecil," Jurnal Bina Mulia Hukum 1, no. 1 (September 2016): 36–42.

Based on the analysis in the table, it can be understood that the obligation to submit periodic financial reports has a broader meaning than simply an administrative supplement. Periodic financial reports serve as a means to maintain honesty, transparency, and trust between debtors and lending institutions. When this obligation is not explicitly stipulated in regulations, the implementation of the legal principles of the agreement is suboptimal because there is no formal mechanism to ensure transparency of information throughout the loan period. This has the potential to weaken legal protection for lending institutions and reduce the effectiveness of monitoring the use of People's Business Credit funds. Therefore, normatively, it is necessary to refine regulations that stipulate the obligation for periodic financial reporting as part of the implementation of People's Business Credit credit agreements, so that the legal relationship between lenders and debtors operates within the principles of clarity, balance, and mutually binding legal respon. The regulatory dynamics regarding People's Business Credit demonstrate the government's commitment to continuously strengthening the financing system for MSMEs as part of national economic policy. A series of regulatory changes, ranging from various Regulations of the Coordinating Minister for Economic Affairs to Regulation of the Minister of Finance Number 12 of 2024, demonstrate an increasingly structured, integrated, and data-driven policy direction to achieve transparent and accountable financing governance. However, from a normative perspective, there is still room for improvement, particularly regarding the regulation of periodic financial reporting obligations for People's Business Credit recipients. The absence of explicit provisions regarding these obligations indicates a normative vacuum that has resulted in weak monitoring mechanisms and ongoing assessments of the performance of recipient businesses. Therefore, future regulatory updates should not only focus on the administrative aspects of distribution and data management, but also strengthen debtor accountability through measurable legal obligations. Thus, the People's Business Credit policy will function not merely as a capital assistance instrument, but as a sustainable, equitable financing system that aligns with the principle of legal responsibility in state financial management and strengthens the MSME sector nationally.

CONCLUSION

Based on the discussion, it can be concluded that the legal policy regarding People's Business Credit in Indonesia shows progressive development and is adaptive to the dynamics of the national economy. Since the issuance of various regulations, starting with Regulation of the Coordinating Minister for Economic Affairs Number 8 of 2015 to Regulation of the Coordinating Minister for Economic Affairs Number 12 of 2025 as the fourth amendment to Regulation of the Coordinating Minister for Economic Affairs Number 1 of 2022, the government has developed an increasingly comprehensive legal framework to strengthen the financing system for MSMEs. Furthermore, Regulation of the Minister of Finance Number 12 of 2024 plays a role in complementing administrative aspects through the regulation of the Program Credit Information System, which strengthens transparency and data integration between agencies. However, normatively, there are still gaps in the regulations, particularly regarding the legal obligation for MSMEs receiving People's Business Credit to submit periodic financial reports throughout the loan period. Currently, financial reports are only required at the initial application stage as a requirement for assessing business feasibility, with no further obligations during the loan agreement implementation period. This lack of norms results in weak monitoring and accountability mechanisms for the use of financing funds, and creates an imbalance in legal responsibility between the distributing institution and the debtor. Therefore, from a legal perspective, the sustainability of the People's Business Credit program requires strengthening business reporting norms to ensure transparency, certainty, and accountability in the implementation of national financing policies.

Therefore, recommendations that can be proposed include:

1. Improvement of the Substantive Regulations for People's Business Credit

The government needs to add explicit provisions to Coordinating Minister for Economic Affairs Regulation Number 12 of 2025 or its derivative regulations regarding the obligation to submit regular financial reports by Micro, Small, and Medium Enterprises receiving People's Business Credit during the loan term. This obligation will strengthen the oversight mechanism and provide a

clear legal basis for lending institutions to monitor the progress of borrowers' businesses.

2. **Integration of Financial Reporting with the Program Credit Information System**
Periodic financial reports from Micro, Small, and Medium Enterprises can be integrated directly into the Program Credit Information System, as stipulated in Minister of Finance Regulation Number 12 of 2024. This integration will improve data validity, accelerate disbursement evaluation, and assist the government in assessing the effectiveness of the interest subsidy program in real time.

3. **Strengthening Integrated Supervision and Evaluation**

The government, through the Financial Services Authority and the Financial and Development Supervisory Agency, needs to expand its oversight function regarding the financial reporting compliance of Micro, Small, and Medium Enterprises receiving People's Business Credit. This evaluation can serve as an instrument for assessing policy effectiveness and determining the direction of future national financing policies.

4. **Affirmation of Reporting Clauses in Credit Agreements**

Disbursing institutions need to include the obligation to submit periodic financial reports as part of the People's Business Credit agreement. This ensures that reporting is not merely administrative but becomes a contractual obligation with legal consequences if ignored by the debtor.

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